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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

**March 16, 1998**

### **Community Reinvestment Act Performance Evaluation**

**Stockmens National Bank in Cotulla  
Charter Number 14302**

**206 North Main Street  
Cotulla, Texas 78014**

**Office of the Comptroller of the Currency  
Southwestern District  
San Antonio North Duty Station  
9601 McAllister Freeway, Suite 200  
San Antonio, Texas 78216-4605**

**Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Stockmens National Bank in Cotulla** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 16, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

Stockmens National Bank in Cotulla's lending performance reflects a satisfactory response to community credit needs. Factors in our assessment include:

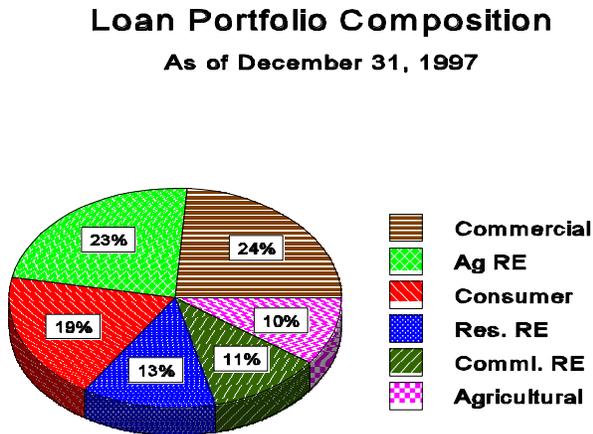
- The bank's loan-to-deposit ratio meets the standard for satisfactory performance, averaging 46% since the previous CRA examination.
- The bank makes a majority of its loans within its assessment area.
- The distribution of borrowers reflects a strong penetration among individuals of different income levels and businesses of different sizes.
- The bank's geographic distribution of lending is reasonable.
- The bank received no CRA-related complaints since the previous CRA examination.

The following table indicates the performance level of **Stockmens National Bank in Cotulla** with respect to each of the five performance criteria.

<b>Small Institution Assessment Criteria</b>	<b>Stockmens National Bank in Cotulla Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
<b>Loan-to-deposit Ratio</b>		X	
<b>Lending in assessment area</b>		X	
<b>Lending to borrowers of different incomes and to businesses of different sizes</b>	X		
<b>Geographic distribution of loans</b>		X	
<b>Response to complaints</b>	<b>No complaints were received since the previous examination.</b>		

## *Description of Institution*

Stockmens National Bank in Cotulla, a \$30 million financial institution founded in 1904, is the only bank headquartered in the assessment area. The bank is locally owned and managed and is located in Cotulla, Texas. It has no branches. Stockmens is a full service bank offering a variety of loan products with an emphasis on commercial and agricultural loans. As of December 31, 1997, commercial loans accounted for 24% of the bank's \$11.5 million loan portfolio, with commercial real estate equaling 11%. Agricultural and agricultural real estate loans totaled 10% and 23%, respectively. Consumer loans represented another 19% of the loan portfolio, with residential real estate loans at 13%.



The bank's favorable financial condition, size, and other factors allow it to help meet the credit needs of its assessment area. There are no legal impediments limiting its ability to make credit available. The bank has not opened or closed any branches since the prior CRA examination, which was dated August 15, 1995. Stockmens National Bank received an outstanding rating at that examination.

## *Description of Assessment Area*

The bank's assessment area is La Salle County, Texas. La Salle county is located in south Texas, and has a population of roughly 5,250. Cotulla, the county seat, has a population of around 3,900 and is approximately 85 miles southwest of San Antonio and 70 miles north of Laredo. The area's economy is dominated by agriculture and government. The primary agricultural product is cattle. Area economic conditions have improved recently due to the development of prison facilities.

The median family income for the county is \$17,635 for 1997, which is significantly less than the state average. The Texas 1997 statewide nonmetropolitan median family income is \$31,500. Of all families in the assessment area, 38% are low-income, 14% are moderate-income, 22% are middle-income, and 26% are upper-income. The county is divided into two block numbering areas (BNA). One BNA is designated as low-income and one is middle-income. The town of Cotulla and 85% of the county's population is in the middle-income BNA. The low-income BNA is located in the extreme southern part of La Salle county, approximately 25 miles from the bank.

Examiners made community contacts with the Middle Rio Grande Development Council and the mayor of Cotulla. The contacts indicated the community has experienced significant population growth and new housing is one of the community's more pressing development needs.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Management has demonstrated satisfactory performance in meeting the credit needs of the assessment area, including low- and moderate-income families.

***Loan-to-Deposit Ratio***

The bank's lending level is reasonable compared to banks located in surrounding counties. During the last 11 quarters ending December 31, 1997, the bank's average loan-to-deposit ratio is 46%. This compares to the average loan-to-deposit ratio of 36% for four banks headquartered in adjacent counties. Of the five banks, Stockmens has the second highest average loan-to-deposit ratio. The other four bank's have average loan-to-deposit ratios ranging from 21% to 48%.

***Lending in Assessment Area***

Stockmens extends a majority of its loans within the assessment area. The following table shows the percentage of loans the bank made in its assessment area based on a sample of 19 residential real estate loans, 19 consumer loans, and 9 commercial loans made in 1997 and 1998.

<b>Percent of Loans Made in the Assessment Area</b>	<b>#</b>	<b>\$ volume</b>
Residential Real Estate	84%	77%
Consumer	89%	92%
Commercial	100%	100%

A bank analysis on the entire loan portfolio as of December 31, 1997, shows the bank made 83% of the number and 64% of the dollar volume within the assessment area.

***Lending to Borrowers of Different Incomes and to Businesses of Different Sizes***

The distribution of loans to borrowers of different income levels demonstrates a strong lending effort to low- and moderate-income borrowers, particularly in the consumer lending area. Examiners reviewed samples of consumer, residential real estate, and commercial loans originated

in 1997 and 1998. Based on these samples, the bank lends to borrowers of various income levels and does not arbitrarily exclude any group of applicants.

Of the 19 consumer loans sampled, the bank made 78% to borrowers with low- or moderate-incomes. 63% of these loans were made to borrowers with annual income less than \$20,000. The bank made 21% of the 19 residential real estate loan sample to borrowers with annual incomes less than the median. Below is a breakdown of the bank's consumer and residential real estate loans by borrower income level.

<b>Loan Sample Distribution by Income Group</b>										
	<b>Low Income Families</b>		<b>Moderate Income Families</b>		<b>Middle Income Families</b>		<b>Upper Income Families</b>		<b>Total # of Families</b>	
	<b>38%</b>		<b>14%</b>		<b>22%</b>		<b>26%</b>		<b>100%</b>	
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Consumer	5	26	10	52	2	11	2	11	19	100
Residential	1	5	2	11	8	42	8	42	19	100

The bank also lends to businesses of various sizes, with a significant number of loans made to small businesses. Below is a breakdown of the commercial loan sample by gross annual revenues.

<b>Gross Revenues</b>	<b># of Loans</b>	<b>Percent</b>
Under \$30,000	2	22%
From \$30,001 to \$50,000	2	22%
From \$50,001 to \$75,000	1	11%
From \$75,001 to \$100,000	3	34%
Over \$100,000	1	11%
<b>TOTAL</b>	<b>9</b>	<b>100%</b>

### ***Geographic Distribution of Loans***

The geographic distribution of loan originations is reasonable. Bank compiled information covering all loans made in the assessment area as of December 31, 1997, indicates 7% of the number of both residential real estate loans and consumer loans were made in the low-income BNA. These loans respectively represent 20% and 12% of the dollar volume of residential real estate and consumer loans. Of the 19 residential real estate loans sampled, the bank made 6% of the number and 11% of the dollar volume to borrowers living in the low-income BNA. No consumer loans sampled were in the low-income tract. These numbers compare to 15% of the total population in the assessment area living in the low-income area. The bank's geographic location 25 miles from the low-income tract limit the number of applicants from that area.

### ***Response to Complaints***

The bank received no CRA-related complaints since the previous CRA examination.

### ***Compliance with Anti-Discrimination Laws and Regulations***

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.